

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Looking Glass Regional Fire Authority		County Eaton
Fiscal Year End 12/31/2005	Opinion Date 5/15/2006	Date Audit Report Submitted to State 6/30/2006		

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Layton and Richardson, P.C.		Telephone Number 517-332-1900		
Street Address 1000 Coolidge Road		City East Lansing	State MI	Zip 48823
Authorizing CPA Signature 		Printed Name Vickie Crouch		License Number 1604378

LOOKING GLASS REGIONAL FIRE AUTHORITY
CLINTON COUNTY, MICHIGAN
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
AND
INDEPENDENT AUDITORS' REPORT



Layton & Richardson, P.C.
Certified Public Accountants

CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2-3
STATEMENTS OF NET ASSETS	5
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS	6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	9-12
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	13-14
LETTERS OF COMMENTS AND RECOMMENDATIONS	15-16



Layton & Richardson, P.C.

Certified Public Accountants

1000 Coolidge Road
East Lansing, MI 48823

(517) 332-1900
(517) 332-2082 fax
Info@LNRCPA.com

Merrick A. Richardson, CPA
Principal
Rick@LNRCPA.com

Vickie L. Crouch, CPA, CGFM
Principal
Vickie@LNRCPA.com

Stephen D. Plumb, JD, CPA
Principal
Steve@LNRCPA.COM

David Layton, CPA
DaveLayton@LNRCPA.com

INDEPENDENT AUDITORS' REPORT

Looking Glass Regional Fire Authority
Grand Ledge, Michigan

We have audited the accompanying financial statements of the business-type activities of Looking Glass Regional Fire Authority as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Looking Glass Regional Fire Authority. Our responsibility is to express an opinion on these financial statements based on our audit. The 2004 financial statements of Looking Glass Regional Fire Authority were audited by other auditors, whose report dated May 16, 2005, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Looking Glass Regional Fire Authority as of December 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages 2 through 3 are not a required part of the basic financial statement but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 15, 2006, on our consideration of Looking Glass Regional Fire Authority's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

Layton & Richardson, P.C.
Certified Public Accountants

East Lansing, Michigan
May 15, 2006

Looking Glass Regional Fire Authority

Management's Discussion and Analysis

Using This Report

The annual report consists of the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. Along with the footnotes, they provide detailed financial information concerning the Authority. This section, the Management's Discussion and Analysis, is intended to provide an overview of the Authority's financial condition, results of operations, and other key information.

Financial Overview

In analyzing the Authority's financial position, it is important to recognize the purpose of the Authority. The Authority was formed in October 2001 to operate, maintain, administer, and manage a joint fire department for the benefit of constituent municipalities, both Watertown Charter Township and Eagle Township. The Authority's income primarily comes in as contributions and service contract payments from Watertown Charter Township (65%) and Eagle Township (35%).

The following table shows the major components of net assets for December 31, 2005 and 2004:

	2005	2004
Capital assets	\$ 1,856,805	\$ 1,965,000
Other assets	<u>55,611</u>	<u>106,620</u>
Total Assets	1,912,416	2,071,620
Liabilities	34,320	47,619
Net assets		
Invested in capital assets:		
Land	107,100	107,100
Equipment, net	<u>1,749,705</u>	<u>1,857,900</u>
Invested in capital assets	1,856,805	1,965,000
Restricted for equipment	5,584	
Unrestricted		
Prepaid expenses	8,793	7,757
Available	<u>6,914</u>	<u>51,244</u>
Unrestricted	<u>15,707</u>	<u>59,001</u>
Total net assets	<u>\$ 1,878,096</u>	<u>\$ 2,024,001</u>

(Available unrestricted net assets would be divided 65/35 Watertown Township - \$4,494/Eagle Township \$2,420 for 2005.)

Looking Glass Regional Fire Authority

Management's Discussion and Analysis

Financial Overview – Continued

The following table shows the major components of the (decrease) increase in net assets for 2005 and 2004:

	2005	2004
Watertown Charter Township Contributions/ Charges for Services	\$ 260,776	\$ 278,571
Eagle Township Contributions/Charges for Services	140,418	150,000
Interest	861	769
Contributions/Donation/Refunds	749	41,693
Return of excess contributions	(46,361)	(107,443)
Expenses	(<u>502,349</u>)	(<u>485,176</u>)
Change in net assets	\$(<u>145,906</u>)	\$(<u>121,586</u>)

Capital Assets

Capital Assets, consisting of land, building, equipment and vehicles for a new station were added during 2005 and 2004 in the amounts of \$0 and \$40,207, respectively.

Contacting the Authority's Management

This financial report is intended to provide the participating townships with a general overview of the accountability for the money the Authority receives. If you have any question about this report, the Authority may be contacted for additional information.

LOOKING GLASS REGIONAL FIRE AUTHORITY
STATEMENTS OF NET ASSETS

	2005	DECEMBER 31, 2004
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 46,818	\$ 89,722
Accounts receivable		9,141
Prepaid expenses	<u>8,793</u>	<u>7,757</u>
TOTAL CURRENT ASSETS	<u>55,611</u>	<u>106,620</u>
CAPITAL ASSETS		
Capital assets not being depreciated	107,100	107,100
Other capital assets, net of depreciation	<u>1,749,705</u>	<u>1,857,900</u>
TOTAL CAPITAL ASSETS	<u>1,856,805</u>	<u>1,965,000</u>
TOTAL ASSETS	<u><u>\$ 1,912,416</u></u>	<u><u>\$ 2,071,620</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 8,000	\$ 32,753
Accrued payroll and related items	<u>26,320</u>	<u>14,866</u>
TOTAL CURRENT LIABILITIES	<u>34,320</u>	<u>47,619</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,856,805	1,965,000
Restricted for equipment	5,584	
Unrestricted	<u>15,707</u>	<u>59,001</u>
TOTAL NET ASSETS	<u>1,878,096</u>	<u>2,024,001</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,912,416</u></u>	<u><u>\$ 2,071,620</u></u>

See accompanying notes to financial statements.

LOOKING GLASS REGIONAL FIRE AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	FOR THE YEARS ENDED DECEMBER 31,	
	2005	2004
OPERATING EXPENSES		
Salaries and related expenses	\$ 231,320	\$ 227,969
Employee benefits/programs	60,360	64,672
Contracted services	7,352	
Operating expense	8,335	
Grant writing	1,950	
Accounting fees	9,066	9,273
Advertising	465	
Board expenses	369	491
Insurance	12,706	10,036
Supplies	7,503	4,154
Turnout gear	3,875	5,536
Training	4,916	8,389
Repairs and maintenance	13,266	19,020
Utilities	12,400	
Depreciation	108,195	107,006
Miscellaneous	20,271	28,630
TOTAL OPERATING EXPENSES	<u>502,349</u>	<u>485,176</u>
OPERATING REVENUES		
Operating contributions	401,194	421,500
Capital contributions	700	
Miscellaneous	49	1,018
TOTAL OPERATING REVENUES	<u>401,943</u>	<u>422,518</u>
NET LOSS FROM OPERATIONS	<u>(100,406)</u>	<u>(62,658)</u>
NONOPERATING REVENUES (EXPENSES)		
Return of excess contributions to townships	(46,361)	(107,443)
Capital contributions		47,746
Investment income	861	769
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(45,500)</u>	<u>(58,928)</u>
CHANGE IN NET ASSETS	(145,906)	(121,586)
NET ASSETS, JANUARY 1	<u>2,024,002</u>	<u>2,145,587</u>
NET ASSETS, DECEMBER 31	<u><u>\$ 1,878,096</u></u>	<u><u>\$ 2,024,001</u></u>

See accompanying notes to financial statements.

LOOKING GLASS REGIONAL FIRE AUTHORITY
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31,	
	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 8,440	\$ 47,062
Cash received from operating contributions	401,194	421,500
Cash payment for goods and services	(128,263)	(227,672)
Cash payment for employees	(278,775)	(237,648)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,596</u>	<u>3,242</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment for capital acquisitions		(141,256)
Return of excess contributions	(46,361)	(107,443)
Capital contributions		47,746
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(46,361)</u>	<u>(200,953)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	861	769
NET DECREASE IN CASH AND CASH EQUIVALENTS	(42,904)	(196,942)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>89,722</u>	<u>286,664</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 46,818</u></u>	<u><u>\$ 89,722</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	\$ <u>(100,406)</u>	\$ <u>(62,658)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	108,195	107,006
(Increase) decrease in accounts receivable	9,142	46,044
(Increase) decrease in prepaid expenses	(1,036)	(7,411)
Increase (decrease) in accounts payable	(24,754)	(80,036)
Increase (decrease) in accrued expenses	11,455	297
Total adjustments	<u>103,002</u>	<u>65,900</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 2,596</u></u>	<u><u>\$ 3,242</u></u>

See accompanying notes to financial statements.

LOOKING GLASS REGIONAL FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Looking Glass Regional Fire Authority (the Authority) was established by the Township of Eagle and the Charter Township of Watertown. The Authority was incorporated in October 2001, under the provisions of Act 7, Public Acts of 1967, known as the Urban Cooperation Act of 1967. The Authority is governed by a board composed of the residents of each of the constituent Townships. The Authority was formed to operate, maintain, administer, and manage a joint fire department for the benefit of constituent municipalities.

The accounting policies of Looking Glass Regional Fire Authority conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies:

A. Basis of Presentation

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – For State and Local Governments*, issued in June, 1999.

B. Basis of Accounting

The accounts of Looking Glass Regional Fire Authority are organized as an Enterprise Fund, which is used to account for its operations as a provider of fire services.

The accrual basis of accounting is used to account for the operations of this Enterprise Fund. Revenues are recognized when they are earned and expenses are recognized when they are incurred, regardless of the timing of the related cash flows.

C. Cash and Cash Equivalents

The Authority considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents.

D. Accounts Receivable

The Authority's accounts receivable are comprised of amounts due from the participating townships stated at invoice amounts. The Authority has determined no allowance for uncollectible amounts is necessary.

E. Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is computed using the straight-line method based on the estimated useful lives, which range from 5 to 39 years.

LOOKING GLASS REGIONAL FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued

DECEMBER 31, 2005 AND 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Concluded

F. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2: PROPERTY, PLANT AND EQUIPMENT

Cost of property, plant, and equipment and depreciable lives are summarized as follows:

	JANUARY 1, 2005	ADDITIONS	RETIREMENTS AND TRANSFERS	DECEMBER 31, 2005	DEPRECIABLE LIFE
Capital assets not being depreciated:					
Land	\$ <u>107,100</u>	\$ _____	\$ _____	\$ <u>107,100</u>	
Capital assets being depreciated:					
Fire station	1,148,794			1,148,794	39 years
Vehicles	547,497			547,497	15 years
Communication equipment	26,165			26,165	10 years
Shop equipment	28,094			28,094	7-15 years
Office equipment	51,155			51,155	5-12 years
Fire fighting equipment	<u>187,144</u>	_____	_____	<u>187,144</u>	7-10 years
Total capital assets being depreciated	<u>1,988,849</u>	_____	_____	<u>1,988,849</u>	
Total capital assets	2,095,949			2,095,949	
Less: accumulated depreciation	<u>130,949</u>	<u>108,195</u>	_____	<u>239,144</u>	
Net carrying amount	\$ <u>1,965,000</u>	\$ (<u>108,195</u>)	\$ _____	\$ <u>1,856,805</u>	

LOOKING GLASS REGIONAL FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Continued

DECEMBER 31, 2005 AND 2004

NOTE 2: PROPERTY, PLANT AND EQUIPMENT - Concluded

	JANUARY 1, 2004	ADDITIONS	RETIREMENTS AND TRANSFERS	DECEMBER 31, 2004	DEPRECIABLE LIFE
Capital assets not being depreciated:					
Land	\$ 107,100	\$ _____	\$ _____	\$ 107,100	
Capital assets being depreciated:					
Fire station	1,148,794			1,148,794	39 years
Vehicles	547,497			547,497	15 years
Communication equipment	26,165			26,165	10 years
Shop equipment	28,094			28,094	7-15 years
Office equipment	51,155			51,155	5-12 years
Fire fighting equipment	<u>146,937</u>	<u>40,207</u>	<u> </u>	<u>187,144</u>	7-10 years
Total capital assets being depreciated	<u>1,948,642</u>	<u>40,207</u>	<u> </u>	<u>1,988,849</u>	
Total capital assets	2,055,742	40,207		2,095,949	
Less: accumulated depreciation	<u>23,943</u>	<u>107,006</u>	<u> </u>	<u>130,949</u>	
Net carrying amount	\$ <u>2,031,799</u>	\$ (<u>66,799</u>)	\$ <u> </u>	\$ <u>1,965,000</u>	

NOTE 3: DEPOSITS

The Authority's cash and cash equivalents consist of bank deposits. The carrying amount at December 31, 2005 and 2004 was \$46,818 and \$89,722, respectively. The bank balance for December 31, 2005 and 2004 was \$49,041 and \$90,780, respectively. Of these amounts, \$49,041 and \$90,780, respectively, were insured by the Federal Deposit Insurance Corporation. The Authority believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Authority evaluates each financial institution it deposits Authority funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. The Authority has adopted a formal investment policy as required by Act 201, P.A. 1943 as amended, that complies with state law. The Authority has followed this policy.

LOOKING GLASS REGIONAL FIRE AUTHORITY

NOTES TO FINANCIAL STATEMENTS - Concluded

DECEMBER 31, 2005 AND 2004

NOTE 4: **RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to property loss, torts, error and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in the past three years.

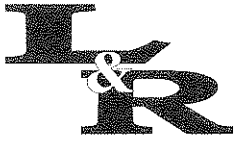
NOTE 8: **DEFINED BENEFIT PENSION PLAN**

Annual Pension Cost

For year ended December 31, 2004 the Authority's annual pension cost of \$12,455 for the plan was equal to the Authority's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, and (b) projected salary increases of 4.5 percent per year. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a five year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

FISCAL YEAR ENDED DECEMBER 31, 2004

Annual pension cost	\$ 12,455
Percentage of APC contributed	100%
Net pension obligation	
Actuarial value of assets	1,995
Actuarial Accrued Liability (entry age)	13,853
Unfunded Actuarial Accrued Liability	11,858
Funded ratio	14.4%
Covered payroll	145,578
UAAL as a percentage of covered payroll	8.1%



Layton & Richardson, P.C.

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Looking Glass Regional Fire Authority
Eagle, Michigan

1000 Coolidge Road
East Lansing, MI 48823

(517) 332-1900
(517) 332-2082 fax
Info@LNRCPA.com

We have audited the accompanying financial statements of the business-type activities of LOOKING GLASS REGIONAL FIRE AUTHORITY, as of and for the year ended December 31, 2005, which collectively comprise Looking Glass Regional Fire Authority's basic financial statements and have issued our report thereon dated May 15, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Looking Glass Regional Fire Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Looking Glass Regional Fire Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Merrick A. Richardson, CPA
Principal
Rick@LNRCPA.com

Vickie L. Crouch, CPA, CGFM
Principal
Vickie@LNRCPA.com

Stephen D. Plumb, JD, CPA
Principal
Steve@LNRCPA.COM

David Layton, CPA
DaveLayton@LNRCPA.com

We noted certain matters that we reported to the management of Looking Glass Regional Fire Authority in a separate letter dated May 15, 2006.

This report is intended solely for the information and use of the Board of Directors, management, and State and Federal Agencies and is not intended to be and should not be used by anyone other than these specified parties.

Layton & Richardson, P.C.
Certified Public Accountants

East Lansing, Michigan
May 15, 2006



Layton & Richardson, P.C.

Certified Public Accountants

LETTER OF COMMENTS AND RECOMMENDATIONS

Board of Directors
Looking Glass Regional Fire Authority
Grand Ledge, Michigan

1000 Coolidge Road
East Lansing, MI 48823

(517) 332-1900
(517) 332-2082 fax
Info@LNRCPA.com

Merrick A. Richardson, CPA
Principal
Rick@LNRCPA.com

Vickie L. Crouch, CPA, CGFM
Principal
Vickie@LNRCPA.com

Stephen D. Plumb, JD, CPA
Principal
Steve@LNRCPA.COM

David Layton, CPA
DaveLayton@LNRCPA.com

We have examined the financial statements of LOOKING GLASS REGIONAL FIRE AUTHORITY, for the year ended December 31, 2005, and have issued our report on those statements. As part of the audit process, we tested and evaluated the system of internal accounting control and the procedures used to record the financial transactions of Looking Glass Regional Fire Authority. These tests and evaluations are important to the audit process because they serve as the basis for our opinion on the reliability and accuracy of the financial statements.

The management of Looking Glass Regional Fire Authority is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our tests of the internal control procedures included evaluations of randomly selected samples of transactions from payroll, cash disbursements and cash receipts. Although we did not observe any material errors or weaknesses in accounting or financial management, the following recommendations are intended to improve the efficiency and effectiveness of control procedures:

PRIOR YEAR RECOMMENDATIONS

BANK RECONCILIATION

The Authority has a policy that the Treasurer review all bank reconciliations for completeness and accuracy and that he or she sign their initials on the bank statement after reviewing. There was no evidence of bank reconciliations being reviewed and approved by an individual independent of the preparation for the last quarter of 2004. The purpose of a reconciliation review is to ensure that reconciliations are performed timely and accurately. The reviewer should document approval of the reconciliations. **This recommendation has been implemented.**

CHECKING ACCOUNT

During our testing, we noted a large gap in the sequence of the check numbers used for the month of March. On March 27, 2004, check numbers 1750 and 2001 were used, however the sequence of checks from 1751 through 2000 were not used in March. Upon further investigation, it was noted that this series was used beginning on July 30, 2004. Checks should be used in sequence to assure that no checks have been stolen or misplaced. To monitor the sequence of checks, the reviewer of the monthly bank reconciliation should review the sequential order of the checks to assure that checks are being used in numerical order. **This recommendation has been implemented.**

PRIOR YEAR RECOMMENDATIONS – Concluded

ACH ARRANGEMENTS

Public Act 738 of 2002 allows local units of government to make and accept electronic funds transfers (ACH payments), if the local unit adopts a formal policy. While local units of government may have already been using the ACH system for payroll tax remittances and for direct deposit of payroll, this new law requires a policy to be adopted.

The Board should consider adopting a policy on ACH arrangements that includes all of the following:

- Designation of an individual as the party responsible for approving payment, accounting, reporting and complying with the ACH policy;
- A statement that this individual is required to submit documentation as follows:
 - Describe the goods or services purchased,
 - The cost,
 - Date of payment, and
 - The department benefiting from the purchase;
- A system of internal controls to monitor the use of ACH transactions; and
- The approval of ACH invoices before payment.

This recommendation has been implemented.

CURRENT YEAR RECOMMENDATIONS

INVESTMENT POLICY

To be in conformity with GASB 40, all investment policies need to be updated. We recommend the Authority update their policy.

We are grateful to the Authority employees for their assistance and cooperation extended to us during the audit.

Very truly yours,


Certified Public Accountants

East Lansing, Michigan
May 15, 2006